

Social Innovation in Canada

How the non-profit sector serves Canadians . . . and
how it can serve them better

by

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Executive Summary

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Executive Summary

This paper has been prepared for Canadian Policy Research Networks (CPRN) in order to help stimulate a dialogue within the non-profit sector and between it and government on how to best support social innovation in Canada.

The term “social innovation” is used to denote the development and application of new or improved activities, initiatives, services, processes, or products designed to address social and economic challenges faced by individuals and communities.

The non-profit sector has long been a force for innovation in Canadian society. Along with government and the private sector, it has been an important part of the “Canadian model” that has built a prosperous, just and caring society with a high quality of life that has been the envy of the world.

Non-profit organizations can foster and lead innovation at the community level. They bring to social and economic challenges their in-depth knowledge of the community, hands-on experience, flexibility, creativity and responsiveness, entrepreneurial skills, and a holistic approach – some of the very ingredients essential to “social learning” and innovation.

But the non-profit sector is under stress today, at the very time that it is being called on to assume more and more responsibilities in society and when new and innovative solutions are urgently needed to address deep and intractable problems in our communities across Canada. Recent government cutbacks and a new funding regime are hampering the non-profit sector’s ability to serve Canadians and to lead social innovation. The federal Budget of March 2004, however, recognizes the important contribution of the sector to society and the economy, and offers hope that ways can be found to improve support to the sector and help maximize its contribution.

The non-profit sector in Canada is vast and diverse. It includes hundreds of thousands of organizations, employs almost one million people, and calls upon the enthusiasm and dedication of millions of volunteers who contribute one billion hours of time each year. The sector owns important assets, produces a vast array of goods and services, and generates significant revenues. It is active in almost every area of social, economic and community life – in health care, education, economic development, social services, employment, training and skills development, financial services, the environment, culture, the arts and recreation.

The sector is often referred to by different names, including the “not-for-profit sector”, the “voluntary sector”, the “social” or “charitable” sector, the “third sector” and “civil society”. Whatever the term used, organizations in the broad non-profit sector have a number of characteristics in common: they are independent from government; they often have a significant volunteer dimension; they are “non-profit” in that any surplus is plowed back into the mission and activities of the organization; and, above all, they exist to fulfil a public purpose and respond to a societal need, as well as serve their members.

The paper describes four broad categories of organizations within the non-profit sector in Canada:

Voluntary organizations are active across Canada at the local, regional, provincial/territorial and national levels and pursue a wide range of social, community, advocacy and public policy interests

Community economic development organizations seek to mobilize local resources to stimulate economic opportunities and enhance the social and environmental conditions of communities

Organizations in the social economy are active in the market place and produce goods and services in order to respond to social and community needs

Co-operatives are organizations that are owned and operated by their members, who use their services, and that pursue both a social and economic purpose in responding to the needs of their members and communities

The boundaries across these categories are fluid – almost all organizations have a volunteer dimension, and many voluntary, community economic development and co-operative organizations can be considered to be part of the broad social economy.

The non-profit sector has many strengths – deep roots and extensive networks in the community, significant volunteer support, the capacity to mobilize local resources, and the ability to work in horizontal and holistic fashion, linking the social and economic and environmental spheres.

The paper suggests three key ways in which the sector is well qualified to play a leading role in fostering social innovation in Canada:

First, non-profit organizations, given their strengths, can deliver services that the state cannot provide as effectively or efficiently and that the private sector cannot be expected to provide. Governments in Canada are increasingly turning to the non-profit sector to deliver important public services. And the sector provides services, in response to individual and community need, that business is unlikely to offer. Moreover, non-profit organizations can deliver such services in ways that stimulate creativity and foster innovative solutions to complex social and economic problems.

Second, they are able to deliver effective “place-specific” policies. Many of the most significant challenges facing our communities today require locally-driven, community-based and creative solutions that cut across sectors and cut through institutional and jurisdictional barriers, rather than the top-down, “silo” approach of traditional government bureaucracies and programs.

Third, the non-profit sector can help develop social capital and a shared sense of citizenship, and contribute to the working of a healthy and vital democracy in Canada. It provides opportunities and means for citizens to participate actively in society and pursue shared goals. It helps them build networks and relationships, develop skills and share knowledge. Non-profit organizations often speak on behalf of the most disadvantaged in society, providing a “voice for the voiceless”.

In playing these roles, the non-profit sector receives support from a number of sources: funding and tax and other assistance from government at the federal, provincial/territorial, regional, municipal, and local levels; its own revenue-generating efforts such as membership fees, charges for services, and commercial activities; donations from individuals, corporations and foundations; and revenues from “gaming” activities.

Not surprisingly, given the nature of the sector and the roles that it plays in society, government support is the most important of these sources, accounting for some 60 percent of overall revenues. The importance of non-governmental sources varies considerably across the sector. For some organizations, membership dues and fees for services are a significant revenue source. For others, commercial activities are an integral part of their mission and operations, generating important revenues from the production of goods and services. For other organizations, these sources of income may not be possible or even appropriate.

Today, the non-profit sector in Canada is under severe strain in its ability to contribute to social innovation and serve Canadians.

Recent trends in funding from government and others that target short-term projects at the expense of the core on-going activities and services of non-profit organizations, as well as new and onerous reporting requirements, have put many organizations at risk. These trends have also seriously undermined one of the very strengths of the non-profit sector that give it value-added – its capacity to innovate and find creative solutions to societal problems.

Inadequate access to capital financing and start up funding and to support for organizational community capacity building means organizations are unable to fulfill the roles we look to them to play in our communities and the economy.

The current government regulatory regime is also often a hindrance to the work of the non-profit sector.

A new framework for government support is required, founded on a clear and shared vision for the non-profit sector. The paper identifies three important dimensions of such a framework:

One is to get the underlying financial structure right for on-going support to the sector.

A second is to ensure access to a healthy mix of different kinds of funding, to reflect different needs across the sector as well as the needs of government.

A third dimension is to ensure funding modalities that are efficient and effective and provide appropriate accountability to Canadians for results achieved.

Finding effective solutions will require dialogue among all concerned – dialogue between the sector and government, but also dialogue within the sector itself in order for the various movements in it to identify common ground and interests and articulate the kinds of institutional changes that will allow the sector to realize its potential.

In order to facilitate this, the paper suggests a number of issues that warrant further discussion and debate. Key themes for further discussion could include:

- A future-oriented vision for the non-profit sector

- A common understanding of social innovation and the social economy

- The roles and responsibilities of the sector and of government and the private sector

- What the sector itself can do to secure its own future

- A new framework for government support to the sector

- How to enhance non-governmental supports for the non-profit sector

It is hoped that further discussion and dialogue on these and other issues will help define the way forward for the non-profit sector to play a unique and vital role in social innovation and support sustainable social, economic and community development in Canada.